



According to a 2001 survey by the Nellie Mae Education Foundation:

- 83 percent of undergraduates have at least one credit card
- The average student credit card balance is \$2,327
- 6% of college students have more than \$7,000 in credit card debt
- Graduating students have an average of \$20,402 in combined education loan and credit card balances

"Without proper education in personal finance, today's young students may become tomorrow's bankruptcy candidates."

Dara Duguay
Jump\$tart Coalition for
Personal Financial
Literacy

Credit Cards on Campus: Easy money or easy trouble?

A study by a Harvard law professor estimates that 120,000 people age 25 and under filed for personal bankruptcy in 2000. This is the fastest growing group of new bankrupts - up 50% in ten years.

With a little education and planning, credit cards don't have to be a nightmare. If used wisely, credit cards can help you build a good credit history. A good credit history helps you get a lower rate when you borrow money to buy a house, buy or insure a car, rent an apartment, or get a job.

Your credit history is compiled into a credit report. The Fannie Mae Foundation explains that a credit report is "a record of how you have paid your credit card debt and other loans. A credit report shows how much debt you have, if you have made payments on time, or if you have not paid back some loans at all."

Every financial decision you make has consequences. What you spend today will not be saved for tomorrow. If you run into money troubles now, that credit history will haunt you in the future. Be careful what you spend, and do not be lulled by easy credit into living beyond your means.

Make the Best Use of Your Credit

- Pay off your credit cards every month if possible.
- Pay on time. Avoid late fees.
- Charge less than the maximum amount allowed on your credit card.
- Compare interest rates. Some cards charge up to 20% in interest. Shop around for lower interest rates. Consolidate your debt on fewer credit cards to get better interest rates.
- Be aware of annual fees and introductory offers. Some companies charge you as much as \$50 a year just for you to have their card. Others may offer a low "introductory rate" at first, but then raise the rate to a much higher level in a few months.
- Pay more than the minimum due each month. This pays off the balance faster and you won't end up paying out so much in interest.
- Only apply for the amount of credit that you actually need. Cut up unnecessary credit cards. If your card balances get too high, use the cards for emergencies only and use cash where possible.
- If you have more than one credit card, pay down your cards with the highest interest rates first. If the interest rates are the same, pay the minimum on the larger ones and concentrate on paying off the smallest one. Keep this up until they are all paid off.
- Call the credit card company, especially if you have been a customer for some time, and ask for a lower rate of interest.

EDWARD LEONARD

Franklin County Treasurer

What to Use the Money For

Help your kids learn what the allowance is for by following some professional advice. American Bankers Association Family Finance Adviser Neale Godfrey recommends that you help your child divide the money he or she earns or receives. Use four separate labeled containers that say, “10% Charity,” “30% Quick Cash,” “30% Medium-term Savings,” and “30% Long-term Savings.” Teach your kids to donate with the Charity jar. They can pick the charity of their choice. The child can use the Quick Cash for items that you have agreed he or she will pay for and instant gratifications. The Medium-term Savings is for 1-6 month periods of saving for something special. The Long-term Savings is for future goals like college. The percentages represent how much of the child's allowance should go to each jar. You can change these to fit your and your child's goals.

You can even sit down with your child and help them make a monthly budget including all expenses, donations, savings, and fun purchases. Budgets can lead to thrifty kids as they watch where all their money goes and see how they can save pennies here and there.

